

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7435

BILL NUMBER: HB 1886

DATE PREPARED: Feb 11, 1999

BILL AMENDED: Feb 10, 1999

SUBJECT: Federally Qualified Health Centers.

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FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill adds services provided by federally qualified health centers (FQHCs) and rural health clinics to the list of services covered under Medicaid. The bill also requires the Office of Medicaid Policy and Planning (OMPP) to reimburse an FQHC its total reasonable cost reimbursement rate. OMPP is required to reimburse a rural health clinic under a cost based methodology.

Effective Date: July 1, 1999.

Explanation of State Expenditures: States are currently required by federal statute to reimburse FQHCs at 100% of their reasonable cost reimbursement rate. The Balanced Budget Act of 1997 **permits** states to begin reducing the percentage of reimbursement in FFY2000. This bill would prevent the state from reducing the level of future Medicaid reimbursement to FQHCs. The Office of Medicaid Policy and Planning (OMPP) has not, at this time, indicated the intent of the state regarding the future level of reimbursement to FQHCs.

FQHC's receive compensation for services rendered through federal grants, state grants, private insurance payments, patient contributions (based on a sliding fee scale according to income), in-kind contributions, and reimbursement through the Medicaid program. An "all-inclusive" reimbursement rate is determined for each FQHC through the submittal of annual cost reports, the determination by the state of allowable costs, and the total annual number of patient encounters experienced by the center.

In addition to physician services, FQHC's are required by federal regulations to provide diagnostic radiology services, laboratory services, emergency medical services available on a 24-hour basis, prenatal/post-partum care, transportation services, pharmacy services, nutritional and health education services, care coordination and case management, and translation services. The "all-inclusive" encounter reimbursement rate is to cover all of these services that are provided during a patient encounter. Some fee-for-service reimbursement occurs, but is minimal.

Prior to the passage of the federal Balanced Budget Act of 1997, states were **required** by federal statute to base reimbursement of FQHCs at a rate equivalent to 100% of the allowable costs. Upon passage of the Balanced Budget Act of 1997, states will be **permitted** to reduce the rate of compensation from the 100% level to a minimum of 95% of total allowable costs for FFY2000; 90% for FFY2001; 85% for FFY2002; and 70% for FFY2003. OMPP has not at this time indicated the action the state will take in response to the federal changes.

The estimated potential Medicaid expenditure reduction to the state and corresponding reimbursement reduction to the FQHCs **prevented** by this bill (if the state were to otherwise opt to reduce Medicaid reimbursement to the extent allowed by federal law) is described in the following table.

Potential Reduction of Expenditures from Change in Federal Requirements for FQHC Reimbursement.

Federal Fiscal Year	Phase-Out Schedule	Est'd Medicaid Reimbursement at 100%	Reduction in Medicaid Expenditures	Indiana Share	Federal Share
FFY2000	95%	\$8,256,300	\$412,815	\$159,305	\$253,510
FFY2001	90%	8,784,703	878,470	339,002	539,469
FFY2002	85%	9,346,924	1,402,039	541,047	860,992
FFY2003	70%	9,945,127	2,983,538	1,151,347	1,832,191
Source: Indiana Primary Health Care Association					

The above estimates are based on assumed average “all-inclusive” encounter rates of \$100 per encounter and Medicaid enrollment growth of 6.4% annually (including both growth from the Children’s Health Insurance Program (CHIP) and growth in the number of FQHCs).

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal reimbursement of Medicaid expenditures.

Explanation of Local Expenditures:

Explanation of Local Revenues: See Explanation of State Expenditures, above, regarding changes in reimbursement to Federally Qualified Health Centers.

State Agencies Affected: Office of Medicaid Policy and Planning

Local Agencies Affected: Federally Qualified Health Centers

Information Sources: Felice Vargo, Indiana Primary Health Care Association, 630-0845.
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